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NATIONAL INTELLIGENCE DAILY CABLE

Saturday 10 June 1978 CG NIDC 78/135C

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Approved For Release 2007/03/07 : CIA-RDP79T00975A030700010050-5

Approved For Release 2007/03/07 : CIA-RDP79T00975A030700010050-5

National Intelligence Daily Cable for Saturday, 10 June 1978.

The NID Cable is for the purpose of informing senior US officials.

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PERU: Emergency Measures Eased

The Peruvian Government's lifting of the state of emergency--enacted last month because of widespread rioting over food and fuel price increases--appears to ensure that the national constituent assembly election will be held on schedule later this month. All 12 registered parties probably will participate in the election, even though nine leftist assembly candidates remain in exile and others are still being sought by police for their alleged role in the disturbances.

The government's decision, announced on Thursday, restores the right of peaceful assembly, reinstitutes free television and radio coverage of the candidates, and probably will allow most independent weekly magazines to resume publication.

Those parts of the emergency decree that permit deportations and arrests without warrants, however, were retained for 30 days. These provisions will enable the government to continue a hard-line policy against organized labor and the left. It hopes this policy will prevent a recurrence of public disturbances and a general strike like the one that crippled most major cities for 48 hours on 22 and 23 May.

The country has been relatively quiet since the general strike, but the government has had to cope with a troublesome teachers' walkout. The police have arrested a number of strike leaders, and some teachers who failed to report to work this week were suspended.

25X1 [] Even though all parties have deplored the suspension of constitutional guarantees and the interruption it has caused in the campaign, full participation in the election now seems assured. Leftist parties, which were hit hard by the government decree, may believe that participation in the election and in the assembly itself will provide some measure of protection from repression.

25X1 [] The balloting, now scheduled for 18 June, could be delayed one day if the Peruvian soccer team continues to participate in the World Cup playoffs in Argentina. []

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WARSAW PACT - NATO: Negotiations

25X1 [] *The USSR and its allies presented a counterproposal to the Western initiative of 19 April at Thursday's plenary session of the Mutual and Balanced Force Reduction talks. The East essentially proposes to accept part of the substance of the Western initiative for reductions and ceilings in exchange for acceptance by the Western side of Eastern manpower figures presented earlier by the East. The East's response demonstrates that the Warsaw Pact is interested in keeping the negotiations moving; it may also be intended to give an incentive to the West to accept Eastern manpower figures.*

25X1 [] The Eastern numbers on air and ground forces in Central Europe are substantially lower than Western estimates because the Soviets and their allies exclude personnel the West believes should be counted. The East has not admitted to making any exclusions, nor has it indicated when or if it would negotiate on data.

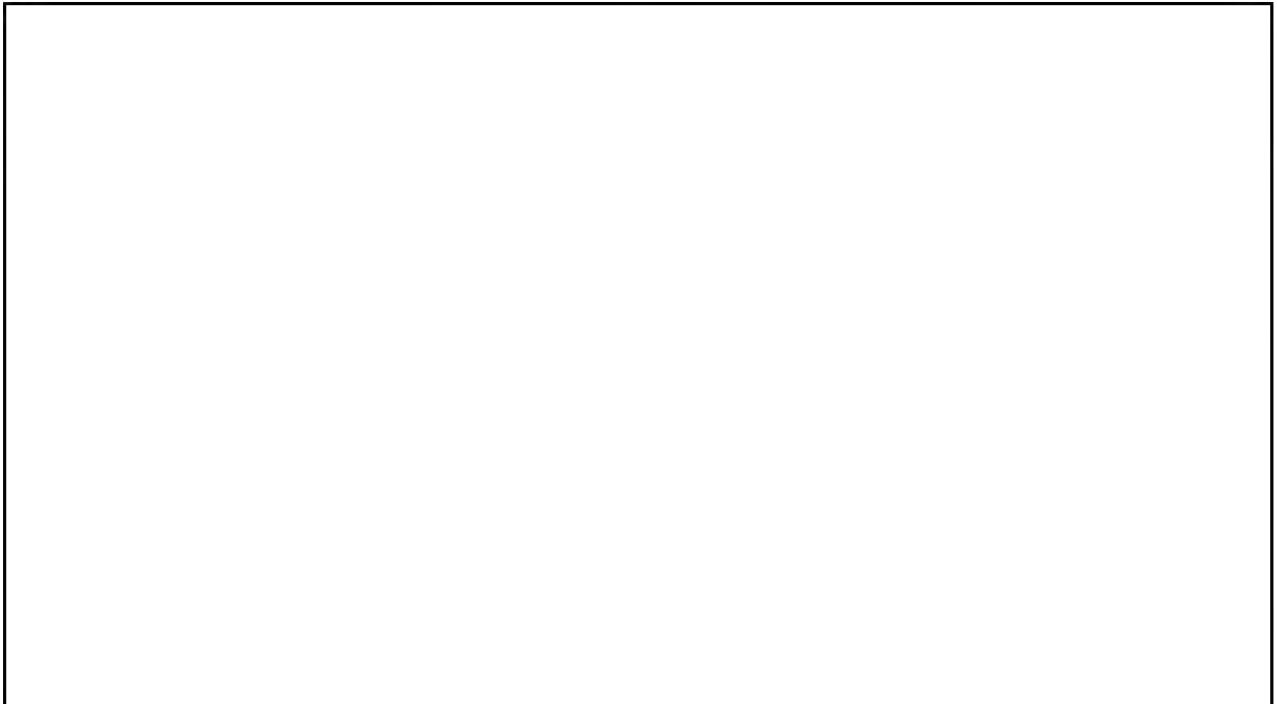
25X1 [] In its new plan, the East proposed to accept the Western call for a common ceiling for each side of 900,000 men in ground and air forces in Central Europe with 700,000 men from that number allocated to the ground forces. A formula would allow one country to compensate in part for a unilateral reduction by another country on the same side, but each participant would be prohibited from increasing its forces above the prereduction level.

25X1 [] The first phase of reductions, to be completed in one year from the signing of an agreement, would involve reductions

in ground force personnel by only the USSR and the US. In addition, each side would be required to withdraw specific armaments from the area. The previous Warsaw Pact plan required equal reductions of all major types of armaments by each side; the new proposal accepts the Western concept of withdrawing different weapons from each side.

25X1 [] The Soviets appear to have accepted a West German proposal for two steps during the second phase of reductions. In the first year of the second phase, all countries except the USSR and US would make 40 percent of the overall strength reduction. During the second and third years, all these countries would complete the remaining 60 percent of the reduction required to reach parity. The US and USSR would make further reductions during the second phase so that their total reductions would be proportional to the cuts taken by their allies.

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WORLD GRAIN: Outlook

25X1 [] *//World grain consumption increases will outpace production increases during 1978-79, according to our estimates.*

Exporter stocks, however, will remain well above the level of the early 1970s and would suffice to meet a higher level of demand than now forecast. The decline in stocks in non-Communist countries will occur almost entirely in the large US holdings. Cuts in US wheat production should be more than offset by increases in Europe, Australia, and the developing countries. Higher Soviet production of coarse grains is expected to offset likely declines in the US and Canada. Total world import demand for wheat in 1978-79 should fall about 8 percent, while trade in coarse grains is not likely to change appreciably.//

25X1 [] //World wheat production should increase by 3 percent during 1978-79--the second best crop on record. Officials in some major Southern Hemisphere producing countries, notably Australia and Argentina, are predicting large increases in the area now being seeded for the December harvest.//

25X1 [] //Growing conditions for winter wheat in the Northern Hemisphere are generally better than a year ago. In the USSR, conditions in late May in both the winter and spring wheat areas were generally favorable to support an above-average wheat crop similar in size to that of last year. Canada expects a 2-percent increase in the area seeded to spring wheat if dry and warm weather arrives soon. A 15-percent cut in US wheat production will be offset by increases in these other areas.//

25X1 [] //The production increases projected by some major wheat producers should cause trade in wheat and flour over the next 12 months to decline by about 8 percent. China's imports may fall by about 2 million tons; import reductions are also projected for Europe, including the USSR, because the price relationship between wheat and coarse grains is expected to be less favorable for feeding wheat over the next 12 months.//

25X1 [] //The lower level of wheat trade will still require total stocks of major exporters to be reduced moderately by 30 June 1979. Demand for US wheat is likely to be down in every major region except Asia, where China has made recent purchases.//

25X1 [] //Coarse grain production is projected to increase less than 1 percent over the next year. Increases are expected

in the USSR and Eastern Europe, while only a few Southern Hemisphere countries are expecting increases if the drought experienced during the past year breaks. Production of corn, the most important coarse grain, will remain at last year's high level.//

//World import demand for corn should continue strong this year due largely to the strong demand for livestock feed in the developed and centrally planned economies, although the USSR will probably cut its imports by 5 percent. Non-Communist stocks will drop somewhat during the 1978-79 season.

MEXICO: World Food Council Meets

The fourth ministerial session of the United Nations World Food Council, the only international body dealing exclusively with food policy, will open Monday in Mexico City. The participants will review the progress made toward implementing last year's recommendations on increasing food production and the quality of nutrition in developing countries, creating an emergency grain reserve, increasing food aid, and easing food trade problems. Last year the Council functioned as a significant forum for the international dialogue on food and agriculture. Although the limited success of last year's meeting and the generally conciliatory tone of most recent North-South sessions suggest that the 1978 meeting may also be somewhat productive, several factors could prevent it from being effective.

Reports from preparatory meetings this year indicate that Council leadership is less in control than it was at last year's meeting and that the meetings were characterized by lack of focus and considerable conflict within the developing nations' delegations. In addition, out of bureaucratic confusion as well as general disinterest in multilateral discussions on food, the Mexican Government appears to have done little administratively or substantively in its role as host for the meeting. Mexico, although a food importer, is confident of its ability to arrange for food security on a bilateral basis with the US.

The imminent appointment of a new Executive Director also poses a potential threat to the session; the competition between a developing country candidate and one from the US may

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reopen an old controversy between the developed and developing blocs over which group should contribute the management. The possibility that a dispute over the post could disrupt the meeting may cause the appointment of the developing country candidate.

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[] It is more likely, however, that pressure from the significant number of developing countries that already privately favor the US candidate will force a compromise, and the developing country candidate will either withdraw or accept the post of Deputy Executive Director that has already been offered him.

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[] If the Mexico City meeting were to disintegrate into a polemical forum, as occurred in 1975 and 1976, the result would almost certainly be a drop in the level of representation at the next meeting and the end of the Council's limited usefulness. []

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BRIEFS

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USSR-US

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[] President Carter's speech at Annapolis on Wednesday apparently has produced some confusion among the Soviets. Georgiy Arbatov, the most important academic "Americanologist," on Wednesday gave a surprisingly mild reaction to the advance text in an interview with CBS News and in a discussion with a

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scholar. He said the President's remarks were "encouraging," and said the speech was better than the one the President made at Wake Forest earlier in the year.

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[] An official of Arbatov's Institute called CBS on Thursday, however, to ask that the most complimentary passages be deleted from the CBS tape. The official Soviet news reactions to the speech have been more negative, and Arbatov's retraction indicates there is little chance that positive or balanced reactions to the President's remarks will be voiced by the Soviets at this time. []

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